

FISCAL NOTE

HB 2833 - SB 3000

February 18, 2000

SUMMARY OF BILL: Exempts from the Rental Car tax the following:

- A manufacturer or distributor or obligor under an extended service contract for use by the purchaser of a motor vehicle during the period such purchaser's vehicle is undergoing repairs under its express warranty, or extended service contract.
- A customer of a franchised motor vehicle dealer whose motor vehicle is undergoing repairs other than under an express or extended warranty and who is provided the temporary use of a vehicle by the dealer at no cost or charge to the customer for purposes of promoting goodwill or good customer relations.
- An employee of a franchised motor vehicle dealer for personal use at no cost or charge to the employee pursuant to a rental vehicle use allowance earned by the employee for performance as an employee of the dealer.
- The bill would be retroactive to tax years beginning on or after January 1, 1996.
- Under existing law only a church or nonprofit religious organization currently operating under an exemption from the Internal Revenue Service under Section 501(c)(3) of the Internal Revenue Code; provided that the church or nonprofit religious organization holds a current certificate of sales or use tax exemption from the Department of Revenue pursuant to TCA 67-6-322, is exempt from the rental car tax.

ESTIMATED FISCAL IMPACT:

Decrease State Revenues - Exceeds \$100,000

The Department of Revenue has identified, in three recent audits, \$19,645 of car rental tax involving the use of rental vehicles provided to customers whose vehicles were having warranty work performed. Since the dealer is reimbursed by the manufacturer for the cost of such rental vehicles, the department has held that the lease of such vehicles is subject to the rental car tax. Based on the amounts discovered in the three audits for this element of the bill, it is estimated that the amount of decrease in state revenues would exceed \$100,000.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James A. Davenport, Executive Director

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